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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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COMMISSIONERS
KRISTIN K. MAYES, CHAIRMAN
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IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	**DOCKET NO. SW-01428A-09-0103**
IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	**DOCKET NO. W-01427A-09-0104**
IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR AUTHORITY (1) TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,755,000 IN CONNECTION WITH (A) THE CONSTRUCTION OF TWO RECHARGE WELL INFRASTRUCTURE IMPROVEMENTS AND (2) TO ENCUMBER ITS REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	**DOCKET NO. W-01427A-09-0116** Arizona Corporation Commission DOCKETED FEB 10 2010 DOCKETED BY

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR AUTHORITY (1) TO ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $1,170,000 IN CONNECTION WITH (A) THE CONSTRUCTION OF ONE 200 KW ROOF MOUNTED SOLAR GENERATOR INFRASTRUCTURE IMPROVEMENTS AND (2) TO ENCUMBER ITS REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	**DOCKET NO. W-01427A-09-0120**

OPENING POST-HEARING BRIEF OF CITY OF LITCHFIELD PARK

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I. INTRODUCTION

This is not the "typical" rate case. The Commission last approved rates for the Litchfield Park Service Company (the "Company" or "LPSCO")[1] by Decision No. 65436, dated December 9, 2002. Since that time there have been radical changes to ownership,[2] operational structure,[3] cost allocation,[4] financing,[5] size[6] and system configuration.[7]

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[1] The Company's parent, Algonquin Water Resources of America, a Delaware corporation, changed its name to Liberty Water Resources of America in 2009 and all of its regulated utility affiliates, including LPSCO, started operating under the trade name "Liberty Water" in late 2009. For clarity, this entity is referred to as "AWRA" in this Brief.

[2] AWRA, a wholly owned subsidiary of the Algonquin Power Income Fund, acquired the Company in February 2003. (Sorenson Rebuttal, p. 35: 18). APIF is a mutual fund or trust listed on the Toronto Stock Exchange. It is transitioning to a corporation structure under the name Algonquin Power & Utilities Corp. (Trembley, Rejoinder, p. 4: 3-20).

[3] LPSCO no longer has any employees and contracts with others, particularly affiliates. Its day to day operating needs are met by Algonquin Water Services. (It is known as Liberty Water, but will be referred to herein as "AWS"). Algonquin Power Trust ("APT") provides "financial, strategic management, compliance, administrative and support services" to all of APIF affiliates including the Regulated utilities operated by AWS. Trembly, Rejoinder, p. 8: 18-24. 100% of the costs incurred by APT are allocated to APIF's affiliates. No complete listing of affiliates of APIF, APT, AWRA AWS and LPSCO was located in the record.

[4] Where there had historically been an allocation between the Water and Sewer Division for some joint facilities and employees, Decision No. 65436, p. 17: 14-16 now the parent and affiliates allocate costs on a combination of direct billing and allocation of indirect (overhead) costs. (Trembley, Rejoinder pp. 3-4: 15-2). AWS' overhead costs (such as rent, administrative costs, depreciation of office furniture, depreciation of computers, labor, insurance, janitorial services and other non-payroll costs) not otherwise directly allocated to a specific Regulated Utility, by use of the "four factor" methodology which allocates costs by relative size of the utilities. (Trembley, Rejoinder, p. 7: 12-26). All APT costs are allocated on a two step process. The first step is to allocate between regulated and non-regulated affiliates based solely on the "number" of affiliates. The second step allocates among regulated affiliates based solely upon number of customers. Each LPSCO water customer and sewer customer are counted. As a result, a single customer receiving both water and sewer service from LPSCO is counted twice. (Trembly, Rejoinder, pp. 11-12: 14-13). During the test year LPSCO was allocated 49% of the portion of APT costs allocated to the Regulated Utilities (49% of 26.93% of APT's total costs). (Trembley, Rejoinder, Appendix 3).

[5] Equity has increased to 82.17% of the capital structure. (Bourassa, Direct p. 1: 25-26).

[6] The number of water and sewer customers served has almost tripled from 5,541 and 5,012 (Decision No. 65436, p. 1: 24) to 15,600 and 14,600 respectively (Application, p. 1: 22-23), while fair value rate

Additionally, the economy of Arizona has suffered and continues to suffer record unemployment and a decimated housing market. Private and public entities are struggling to stay in business. Employers have imposed hiring freezes, if not lay-offs and have frozen salaries and benefits, if not cut them back. The State Legislature has cut expenses across the board (except where precluded by law). LPSCO has taken none of these steps.

LPSCO, in its final schedules, is requesting a \$6,801,405 annual increase in water revenues (a 98.8% increase) and a \$4,805,020 annual increase in sewer revenues (a 75.59% increase). LPSCO requests an 11.01% rate of return on its fair value rate base. Granting these requests would place an undue burden on LPSCO's customers, constituting rate shock and unfairly reward the Company for its decision not to seek any additional debt financing between 2001 and 2010 and to wait eight years between filing for rate adjustments.[8]

The Commission can and should minimize these adverse impacts to the ratepayers by authorizing a lower rate of return than recommended by LPSCO, Staff or RUCO and through a balanced rate design that spreads the burden of the increased rates fairly among its customers. The City of Litchfield Park recommends that the Commission cap the increase for both systems at a return of no more than 7.5% on fair value rate base. This would equate to a 7.73 return on common equity, using the Company's equity laden capital structure. Utilizing the rate base and operating income figures reflected in Staff's final schedules and

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bases of the water and sewer systems have increased from \$5,909,975 and \$8,691,827 (Decision No. 65436, p. 16: 25-27) to approximately \$37,000,000 and at least \$23,000,000.

[7] New treatment, storage and production facilities are reflected in the rate base figures, as well as a larger service territory.

[8] A review of the Commission's Docket reveals that in Docket SW-01428A-05-0022; Staff recommended – on February 10, 2006 – that LPSCO file a rate case by December 31, 2006 using a test year ending June 30, 2006. Staff Report p. 2, Recommendation (A copy of which is attached hereto as Appendix 1. The City requests the Commission take administrative notice of the Staff Report.). The Commission never considered Staff's Recommendation as the Company withdrew its application June 30, 2008 (18 months after the deadline Staff proposed for a rate filing) as there no longer was a request for the Company to extend wastewater service to the area.

utilizing the gross revenue conversion factor of 1.6286 proposed by LPSCO[9], a 7.5% return would still result in substantial revenue increase for the water division ($4,127,650 a 60% increase) and for the sewer division ($2,545,902 a 40% increase). The City believes this represents a "reasonable return" under the circumstances of this case, taking into consideration what is reasonable to the Company, its Shareholders and the ratepayers in this time of unprecedented economic hardship.

II. THE COMMISSION HAS PLENARY AUTHORITY OVER RATES

The Commission, and thus Arizona court decisions, traditionally have focused on rates that recover prudently incurred operating expenses and provide a reasonable rate of return on the fair value of the utility's property devoted to public service. *US West Comm., Inc., v Ariz. Corp. Comm'n,* 201 Ariz. 242, 246, 578 P.2d 351, 355 (2001). However, Article 15, Section 3 vests the Commission with the full and exclusive power to prescribe rates, including the full range of legislative discretion:

> Neither section 3 nor section 14 [Article 15] of the constitution requires the corporation commission to use fair value as the *exclusive* "rate basis." Those provisions merely mandate that the commission "ascertain the fair value of the property within the State of every public service corporation doing business therein" and "prescribe just and reasonable classifications to be used and just and reasonable rates and charges....
>
> * * *
>
> The fair value of a public service corporation's Arizona property may be important in determining and avoiding the harsh extremes of the rate spectrum. Set too low, rates can result in a confiscatory taking of a company's property. Set too high, they can lead to state-sanctioned price gouging. ***Thus, fair value, in conjunction with other information, may be used to insure that both the corporation and the consumer are treated fairly.*** In this and any other fashion that the corporation commission deems appropriate,

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[9] The record is not developed sufficiently to mandate the use of one conversion factor over another. Since LPSCO has no actual tax expense, it seems reasonable to use the lowest conversion factor offered by the parties.

> the fair value determination should be considered. ***The commission has broad discretion, however, to determine the weight to be given this factor in any particular case.***"

Id. at ¶17 & 21 (*emphasis added*). The Commission is required to consider the utility's fair value "in conjunction with other information" to aide it in setting rates that insure both the utility and the consumers are treated fairly. The Commission is granted reasonable legislative discretion in setting "fair and reasonable" rates so long as it exercises reasonable judgment considering all evidence presented. *Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 154, 294 P.2d 378, 384 (1956).

> There is no required formula for this determination. *E.g., United Railways & Electric Company of Baltimore v. West,* 280 U.S. 234, 249-50, 251, 50 S.Ct. 123, 125, 125-26, 74 L.Ed. 390 (1930); *Simms v. Round Valley Light & Power Company,* 80 Ariz. 145, 154, 294 P.2d 378, 384 (1956). The Commission simply considers all relevant factors, including: (1) comparisons with other companies having corresponding risks, (2) the attraction of capital, (3) current financial and economic conditions, (4) the cost of capital, (5) the risks of the enterprise, (6) the financial policy and capital structure of the utility, (7) the competence of management, and (8) the company's financial history. *C.F.* Phillips, Jr., *The Regulation of Public Utilities* at 377 (3d ed. 1993), discussing *Bluefield Waterworks,* 262 U.S. 679, 43 S.Ct. 675, and *Smyth v. Ames,* 169 U.S. 466, 18 S.Ct. 418, 42 L.Ed. 819 (1898).

Litchfield Park Service Company v. Arizona Corp. Comm'n, 178 Ariz. 431, 435, 874 P.2d 988, 992, fn 3 (1994).

III. WHAT FACTORS JUSTIFY CAPPING LPSCO'S RETURN AT 7.5%?

A. COST OF CAPITAL – EXCESS EQUITY

The starting point for establishing a reasonable rate of return is the Company's weighted cost of capital. However, it must be emphasized that the exercise, while steeped in mathematical formulae, involves the exercise of much discretion – from the selection of sample companies and financial instruments to the application of risk adjustments.

Additionally, the analysis makes no attempt to determine the actual cost incurred by the Company to secure its existing equity (which would require a year to year and possibly day to day evaluation of the cost of securing equity over the life of the Company), but rather attempts to estimate what an investor might require today to part with its investment dollar.

The evidence establishes a range for the cost of equity today ranging anywhere from 5.25% (Rigsby, Direct p. 37: 8) to 18.6% (Bourassa, Rebuttal p. 4: 12). The wide variation in the estimates, fluctuating with the methodology and sample companies utilized, emphasizes the inexact nature of estimating the cost of equity. As a result, the witnesses tend to look at averages, trends or medians in positing a recommended range return and specific return.

Both Staff and RUCO recognize that their return recommendations of 8.7% and 8.54%, respectively, driven by their weighted cost of capital analysis, do not fully adjust downward for LPSCO's over reliance on equity (82.17%) in its capital structure. (Manrique, Direct p. 35: 12-18; Rigsby, Direct p. 54: 15-18; Rigsby, Surrebuttal p. 11: 25-27). This level of equity is well above the 60% equity level the Commission has generally advocated as an appropriate target. *See*, Decision No. 70624, p. 14: 4-9.

The Commission must not blindly accept the inexact science of estimating the cost of capital for the reasonable exercise of the Commission's own legislative discretion in setting fair and reasonable rates. In fact, what the Commission believes to be a fair return on common equity can not be the sole basis for setting rates. *Arizona Community Action Ass'n*, 123 Ariz. at 231, 599 P.2d at 187. *See also*, *Arizona Corp. Comm'n v. Arizona Water Co.*, 85 Ariz. 198, 201, 335 P.2d 412, 414 (1959) (reasonable judgment about all relevant factors required). As recognized by the Commission in Decision No. 70624, the cost of capital analysis can be adjusted for an unbalanced capital structure by using either (i) a 60% equity/40% debt hypothetical capital structures or (ii) an appropriate Hamada adjustment. Use of a hypothetical capital structure would bring the Company's capital structure and weighted cost of capital more in line with the industry average but would not end the Commissions "reasonable" rate of return analysis. Alternatively an appropriate Hamada adjustment can assist in bringing the Company's Cost of Capital more in line with comparable companies. RUCO and LPSCO propose neither adjustment.[10] Staff made a Hamada adjustment of 80 basis points, but the Commission should find the 80 basis point adjustment inadequate. As noted, Staff recognizes its proposed adjustment does not reflect the full downward measure to the cost of equity due to the difference in LPSCO's financial risk. (Manrique, Direct p. 35: 5-8). The City contends it also fails to adequately reflect the effect of the Staff's proposed rates upon the customers and the other factors discussed below. *See*, Decision No. 70624, p. 10: 6-15 and p. 14: 7-8; *Arizona Community Action Assoc. v. Arizona Corp. Comm'n,* 123 Ariz. 228, 231, 599 P.2d 184, 187 (1979).

B. MAGNITUDE OF RATE INCREASE

The level of revenue increase both in gross dollars and percentage are similar in magnitude to the increases granted by the Commission to Gold Canyon Sewer Company (another AWRA affiliate) by Decision No. 69664. The Commission, however, later granted rehearing and reduced the approved increase, in part, by utilizing a hypothetical capital structure. Decision No. 70624.

The Commission has an obligation to consider the impact on ratepayers when setting fair and reasonable rates. *Arizona Community Action Assoc., supra.*

In the present case, the Company could have easily minimized the rate shock to its customers by coming in earlier,[11] by seeking an arsenic adjustor mechanism, and/or by

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[10] LPSCO's suggestion its cost of capital should reflect the risks of "small utilities doing business in Arizona" (Bourassa, Rebuttal, p. 7: 16-21) ignores the fact LPSCO's equity is provided from a single source (APIF) whose cost of capital reflects its entire portfolio of investments.

[11] In fact Staff had recommended a rate filing no later than December 31, 2006.

seeking debt financing. Yet the Company either failed to consider or summarily rejected all of these options out of hand.

Asked why the Company did not apply for rate relief earlier, Mr. Sorenson replied (Rebuttal, pp. 35-36: 23-2):

> "I guess we could have . . . and spent hundreds of thousands of dollars fighting over QWIP, used and useful, excess capacity and operating expenses that don't match plant. Instead, we . . . came in when we felt like we had completed the compelling list of necessary projects we purchased with the system."

In his Rejoinder (p. 10:5-6), Mr. Sorenson continued:

> "[W]e felt it important to finish the work before wading into the treacherous water of a Commission rate case."

The foregoing rationale is simply insufficient to impose upon rate payers the type of rate increase requested by the Company. The Commission must ameliorate the impact of the Company's strategic decisions, by reducing the rate of return for the Company at this time.[12]

C. UNCERTAINTY REGARDING ALLOCATION OF COSTS

Initially AWRA included affiliates' profits when apportioning costs to its regulated utilities. This approach was soundly rejected by the Commission in Decision No.s 69164 at 17 -18 (involving *Black Mountain Sewer Corp.*) and 69664 at 20 – 21 (involving *Gold Canyon Sewer Co.*). In Decision 69664 at 23 -24, the Commission stated:

> "We remain concerned with the level of expenses being allocated by various unregulated Algonquin affiliate companies to a number of small Arizona water and wastewater companies that might not require the level of sophisticated services that are necessary for larger companies. We expect

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[12] As Mr. Darnell notes, this is not an isolated instance for AWRA's Arizona utilities. The Commission has considered and is currently considering large rate increase request for every Arizona utility system owned by AWRA. (Darnell, Direct, p. 4: 1-17).

the Algonquin affiliate structure will continue to be scrutinized in future cases."

In response, AWS and APT revised its shared services model. This change occurred mid- test year requiring pro forma adjustments to reflect the new allocation methodology. Its new methodology is a work in progress. both direct and indirect costs to LPSCO of APIF affiliates are allocated.[13] Both Staff and RUCO found it necessary to remove a significant portion of the costs initially allocated to LPSCO. Yet both the water and sewer divisions are still being allocated respectively, under Staff's recommendation, $2,043,553 and $2,483,590 in contract service expense. (Staff Final Schedules JMM-W13 and JMM-WW12). This represents 49.37% and 60.56% of the Operating Expenses of the water and sewer divisions, respectively, (excluding depreciation, income and property taxes).

Even with the heightened scrutiny afforded affiliated transactions by Staff and RUCO, their workload and the complexity and the evolving nature of the shared services model used for LPSCO virtually assures some improper expenses will be passed on to ratepayers. For example, it was only the turmoil created during the hearing when Mr. Trembley's referenced use of private jets owned by unregulated affiliates of APIF that resulted in LPSCO removing $16,201 from the transportation expense of both LPSCO's water and sewer divisions.[14]

Further, Liberty Water maintains no written policy governing when an item is capitalized, leaving it to an ad hoc determination for each project as to whether to capitalize or expense the project.

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[13] *See* e.g., fn 8. *supra*.

[14] Although LPSCO promised it would also evaluate, and possibly make an adjustment for the costs associated with quarterly meetings of the representatives of AWRA and APT at the Wigwam Resort, no such analysis or reduction has been presented.

Additionally, the allocation methodology proposed for APT costs, rightly rejected by Staff, would have allocated indirect overhead cost from APT between its affiliated seventeen regulated utilities solely by customer count. Moreover LPSCO's water and sewer accounts are counted separately (i.e., as two customers), even though the vast majority of them represent a single residence. The City contends it is LPSCO's burden to create a prima facie showing that its allocation methods are reasonable (*see*, e.g. Decision Nos. 69164 (Black Mountain) and 69664 (Gold Canyon)) and that the remedy available to the Commission is not limited to simply disallowing questionable expenses. The Commission should also consider the inherent barriers created by complex organizational structures, and the transparency and reasonableness of the allocation methodologies employed by the Company when establishing an over all rate of return. The City believes such considerations in this case supports capping LPSCO's overall return at 7.5%.[15]

D. PVWRF

When the Palm Valley Water Reclamation Facility ("PVWRF") was constructed, at the cost of approximately 18 million dollars, it was heralded as a state of the art reclamation facility. Even though the 18 million dollar plant had been in service for approximately three years prior to experiencing operational issues, LPSCO had made no effort to secure rates reflecting this significant rate base item. Even when Staff recommended a rate filing be made no later than December 31, 2006, [16] LPSCO made no filing. When LPSCO realized significant modifications, upgrades and enhancements would be needed, it made no rate filing. Instead LPSCO intentionally waited until the improvements to PVWRF were complete, or substantially complete, to seek a rate adjustment. (*Supra*, at pp. 6-7).

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[15] The City also recommends the Commission either impose an across the board reduction in expenses or, as a first step, to have LPSCO and its affiliates AWS and APT to submit a cost reduction plan with six months.

[16] *See* fn 8; Appendix A.

As a result, LPSCO is requesting customers to simultaneously shoulder both the initial 18 million dollar cost of the plant, as well as the 7 million dollars in improvements in a single rate proceeding. Such pancaking of plant additions installed years apart reflects an insensitivity to ratepayers (especially when coupled with arsenic and water storage expansions on the water side into a single rate proceeding) (Darnell, Rebuttal, pp. 8-9) as well as poor long term strategic planning. Certainly shareholders should assume some portion of the risk related to the cumulative impact of the need to substantially modify and enhance the PVWRF shortly after it was placed in service and the Company's decision to delay seeking ratemaking treatment on the base plant. Therefore, whether or not all or a portion of the 3.286 million dollar rate base adjustment recommended by RUCO (RUCO Final Schedule 3, Wastewater Division p. 4 of 4) is made by the Commission, the Company's handling of the PVWRF constitutes another justification for capping the return on rate base at no more than 7.5%.

IV. RATE DESIGN

The City of Litchfield Park is proud to be a small, green oasis in the desert. The City actively implements water conservation practices while maintaining its parks, common areas and other recreational features to promote the environment supported by its Community. The record does not support penalizing the City or its residents for maintaining the environment that attracted residents to the area in the first place. Yet the rate designs proposed by Staff and RUCO would penalize the City and its residents for using more water than the "average" LPSCO customer.

The LPSCO was formed to provide water and sewer service primarily within the City. The basic backbone system needed to serve the current demand within the City has been in place long before AWRA acquired the system. The City recognizes that enhancements to the sewer plant, the airline reservoir and arsenic treatment benefit all consumers and therefore does not object to paying a reasonable return (up to 25%) on the capital investment made by LPSCO. It is concerned that because it and its residents predominantly utilize one inch meters and consume more water than the average customer that the City and its residents will pay substantially greater proportion of the rate increase than is fair and reasonable due to the rate design that is proposed by both RUCO and Staff.

The Company and the City jointly proposed a rate design that they believe appropriately reflects the cost of providing service, provides rate stability, encourages conservation and promotes gradualism. (Exhibits LP-4, LP-5, A-20-22).

The City asks the Commission to accept the joint rate design. The City also requests the Commission consider phasing in the rate increase over a ten month period. The first will most likely be implemented at the beginning of this summer (May) and should be 6% of the approved rate. The City recommends the second phase be implements approximately five months thereafter preferable in October in November with 20% plus all carry costs. The third or final phase would be implemented in March with the final 20% plus all accrued carry costs. The City believes this phasing plan coupled with the cap of a 7.5% return and the joint rate design constitutes fair and reasonable rates, based upon the facts and circumstances presented in this case.

V. CONCLUSION

It is the magnitude of the rate increase and the complexity of LPSCO's organizational structure that makes this rate proceeding extremely difficult. The City has no complaints with the level of service provided by LPSCO. It is concerned, that as a green community with a static growth rate. it and its residents may be penalized an unwary effort to "help the little guy" and to promote conservation. The City believes that by capping the rate of return allowed LPSCO at 7.5%. adopting the rate design jointly proposed by the City and the Company and phasing in rates over a relatively short period of time, the adverse impacts of the rate increase can be minimized and fair and just rates set. The City thanks the Commission for its consideration and efforts.

DATED this 10th day of February, 2010.

CURTIS, GOODWIN, SULLIVAN,
UDALL & SCHWAB, P.L.C.

By: ______________________
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APPENDIX A

ORIGINAL

MEMORANDUM

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AZ CORP COMMISSION
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TO: Docket Control Center

FROM: Ernest G. Johnson
for Director
Utilities Division

DATE: February 10, 2006

RE: LITCHFIELD PARK SERVICE COMPANY - APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY (DOCKET NO. SW-01428A-05-0022)

Attached is the Staff Report for the above referenced application. Staff recommends approval with requirements for certain compliance.

EGJ:LAJ:lhm

Originator: Linda A. Jaress

Service List for: Litchfield Park Service Company
Docket No. SW-01428A-05-0022

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

LITCHFIELD PARK SERVICE COMPANY

DOCKET NO. SW-01428A-05-0022

APPLICATION FOR AN EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY

FEBRUARY 2006

EXECUTIVE SUMMARY

Litchfield Park Service Company filed an application to extend it CC&N to provide utility wastewater service to an area the size of approximately three and one-half sections of land in the vicinity of Camelback Road and Perryville Road in the West Valley in Maricopa County. At build out, Approximately 10,000 units are planned for development in the proposed extension area. Approximately 3,000 homes will be developed initially.

LPSCO is planning the addition of a lift station, an expansion of the wastewater treatment plant from 4.1 to 8.2 million gallons per day capacity, and construction of a $4.9 million, six-mile interconnection line to interconnect the proposed service territory with the treatment plant. The lift station, the interconnection line and the new wastewater treatment plant will be financed through a Master Utility Agreement ("MUA") whereby the developers in the extension area purchase "Development Shares" in the parent of LPSCO, Algonquin Water Resources of America Inc. ("Algonquin"). Algonquin would then invest the funds from the Development Shares into LPSCO as paid-in capital.

The return on equity and rate of return on rate base adopted in a settlement agreement and by Decision No. 65436 in LPSCO's last rate case were 9.5 percent and 8.5 percent, respectively. The most recent annual report filed by LPSCO at the Commission indicates an earned return on equity of 11.51 percent and an estimated return on rate base of 11.47.

Staff concludes that LPSCO is a fit and proper entity to provide service in the proposed extension area and that it is in the public interest for the Commission to approve this application and adopt certain requirements of the Company.

Staff recommends that the Commission require LPSCO to file the following as compliance items in this docket and by the recommended date:

1. A copy of the Franchise for the proposed service territory within 365 days of the date of the decision in this case.

2. The Master Utility Agreement as amended to reflect the smaller requested area within 365 days of the date of the decision in this case.

3. Copies of the required Aquifer Protection Permit and Section 208 Plan amendments within 365 days of the date of the decision in this case.

4. By December 31, 2006, file a rate case using a test year ending June 30, 2006.

5. File a plan to increase the Company's consolidated equity to 40 percent of the total capital.

Staff also recommends that the Commission determine, and LPSCO agrees, that all net Additional Paid-in-Capital paid by Algonquin to LPSCO related to the MUA should be treated as if it were Advances in Aid of Construction for ratemaking purposes.

Staff further recommends that the Company be ordered to charge its existing rates and charges to customers in the extension area until such time as the Commission changes those rates.

Finally, Staff recommends that the Company be prohibited from distributing more than 25 percent of each year's earnings if and when equity falls below 30 percent of total capital.

STAFF ACKOWLEDGEMENT

The Staff Report for Litchfield Park Service Company, Docket No. SW-01428A-05-0022, was prepared by the Staff members listed below. Linda Jaress performed the review and analysis of the Company's application, Marlin Scott, Jr. performed the engineering analysis and Jim Dorf performed the financial analysis.

Linda A. Jaress
Executive Consultant III

Marlin Scott, Jr.
Utilities Engineer

James J. Dorf
Chief Accountant

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EXHIBITS

Introduction

On January 12, 2005, Litchfield Park Service Company ("LPSCO" or "the Company") filed an application for approval of an extension of its Certificate of Convenience and Necessity to provide wastewater service to portions of Maricopa. On September 2, 2005, the Company amended its application to exclude certain parcels from the application. The proposed extension covers an area the size of approximately three and one-half sections of land in the vicinity of Camelback Road and Perryville Road in the West Valley. At build out, Approximately 10,000 units are planned for development in the proposed extension area. Approximately 3,000 homes will be developed initially. See Exhibit 1 for a map and legal description of the extension area.

LPSCO's application included the requests for service from developers in the proposed service area. There are currently no delinquent compliance items for Litchfield Park Service Company with the Utilities Division's Compliance Section and no unresolved complaints with the Consumer Services Section.

The Wastewater System

According to the Arizona Department of Environmental Quality ("ADEQ") and the Maricopa County Environmental Services Department, LPSCO's wastewater treatment facilities are in compliance with ADEQ regulations. The Company's wastewater system is comprised of a 4.1 million gallon per day ("MGD") activated sludge wastewater treatment plant, three lift stations and 255.8 miles of collection mains. LPSCO is planning the addition of a lift station, an expansion of the wastewater treatment plant from 4.1 to 8.2 million gallons per day capacity, and construction of a $4.9 million, six-mile interconnection line to interconnect the proposed service territory with the treatment plant. For further description and analysis, see the Staff Engineer's Report attached as Exhibit 2.

Financing and Capital Structure

The lift station, the interconnection line and the new wastewater treatment plant will be financed through a Master Utility Agreement ("MUA") whereby the developers in the extension area purchase "Development Shares" in the parent of LPSCO, Algonquin Water Resources of America Inc. ("Algonquin"). Algonquin would then invest the funds from the Development Shares into LPSCO as paid-in capital. Attached, as Exhibit 3, is Staff's Finance and Regulatory Analysis Report which further describes these transactions.

The Report also points out that due to high growth, LPSCO's net income and LPSCO's low equity ratio, LPSCO may be over-earning. The return on equity and rate of return on rate base adopted in a settlement agreement and by Decision No. 65436 in LPSCO's last rate case were 9.5 percent and 8.5 percent, respectively. The most recent annual report filed by LPSCO at the Commission indicates an earned return on equity of 11.51 percent and an estimated return on rate base of 11.47. The possibility of over-earning along with the possible cost savings achieved through the 2003 acquisition of LPSCO by Algonquin, leads Staff to recommend that the

Commission order LPSCO to file a rate case. In addition, Staff believes that LPSCO's equity ratio should be improved by retaining at least 25 percent of its earnings when its capital structure reflects less than 30 percent equity.

Conclusions and Recommendations

Staff concludes that the existing 4.1 MGD WWTP capacity, along with the planned capacity expansion to 8.2 MGD, is sufficient to serve the existing and proposed CC&N extension areas. Staff also concludes that the proposed plant facilities and their cost estimates totaling $5,492,980 are reasonable. However, no "used and useful" determinations of the proposed plant items were made and no particular treatment should be inferred for rate making or rate base purposes.

Staff also concludes that the funds advanced by the developers as Development Shares ultimately will be used by LPSCO as a cost free form of capital to fund construction. Staff also concludes that both the water and wastewater divisions of LPSCO are capitalized with fairly high levels of Advances in Aid of Construction and Contributions in Aid of Construction and that over-reliance on such cost-free capital can produce risky a capital structure and result in a utility with little or no investment upon which to earn a return and sustain its growth and viability.

Finally, Staff concludes that LPSCO is a fit and proper entity to provide service in the proposed extension area and that it is in the public interest for the Commission to approve this application and adopt certain requirements of the Company.

Staff recommends that the Commission require LPSCO to file the following as compliance items in this docket and by the recommended date:

1. A copy of the Franchise for the proposed service territory within 365 days of the date of the decision in this case.

2. The Master Utility Agreement as amended to reflect the smaller requested area within 365 days of the date of the decision in this case.

3. Copies of the required APP and Section 208 Plan amendments within 365 days of the date of the decision in this case.

4. By December 31, 2006, file a rate case using a test year ending June 30, 2006.

5. File a plan to increase the Company's consolidated equity to 40 percent of the total capital.

Staff also recommends that the Commission determine, and LSPCO agrees, that all net Additional Paid-in-Capital paid by Algonquin to LPSCO related to the MUA should be treated as if it were AIAC for ratemaking purposes.

Staff further recommends that the Company be ordered to charge its existing rates and charges to customers in the extension area until such time as the Commission changes those rates.

Finally, Staff recommends that the Company be prohibited from distributing more than 25 percent of each year's earnings if and when equity falls below 30 percent of total capital.

EXHIBIT 1

MEMORANDUM

TO: Linda Jaress
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: September 13, 2005

RE: **LITCHFIELD PARK SERVICE COMPANY (DOCKET NO. SW-01428A-05-0022)**
AMENDED LEGAL DESCRIPTION

The area requested by Litchfield Park for an extension has been plotted with no complications using an amended legal description, which has been docketed. The original amendment was filed on September 2, 2005, but inadvertently omitted the description for referenced Parcel A. The description for Parcel A was filed on September 9, 2005. The legal description attached includes both of these descriptions and should be used in place of the original description submitted with the application.

Also attached are copies of the maps for your files.

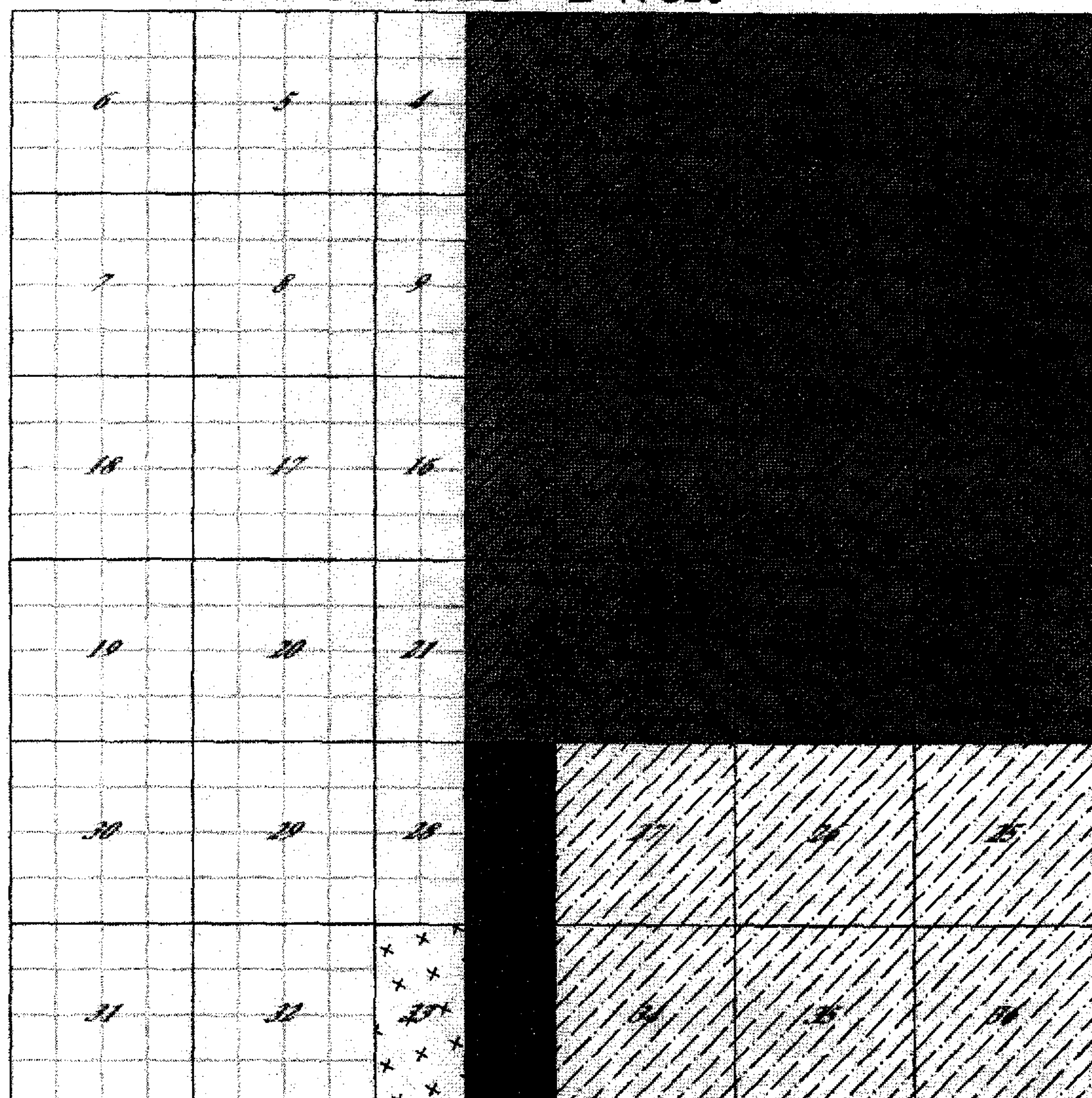
:bsw

Attachments

cc: Docket Control
Mr. Richard Sallquist
Ms. Deb Person (Hand Carried)
File

COUNTY: *Maricopa*

RANGE 2 West



TOWNSHIP 3 North

WS-1303 (14)
Arizona-American Water Company (Agua Fria)

W-2451 (5)
Water Utility of Greater Buckeye, Inc.

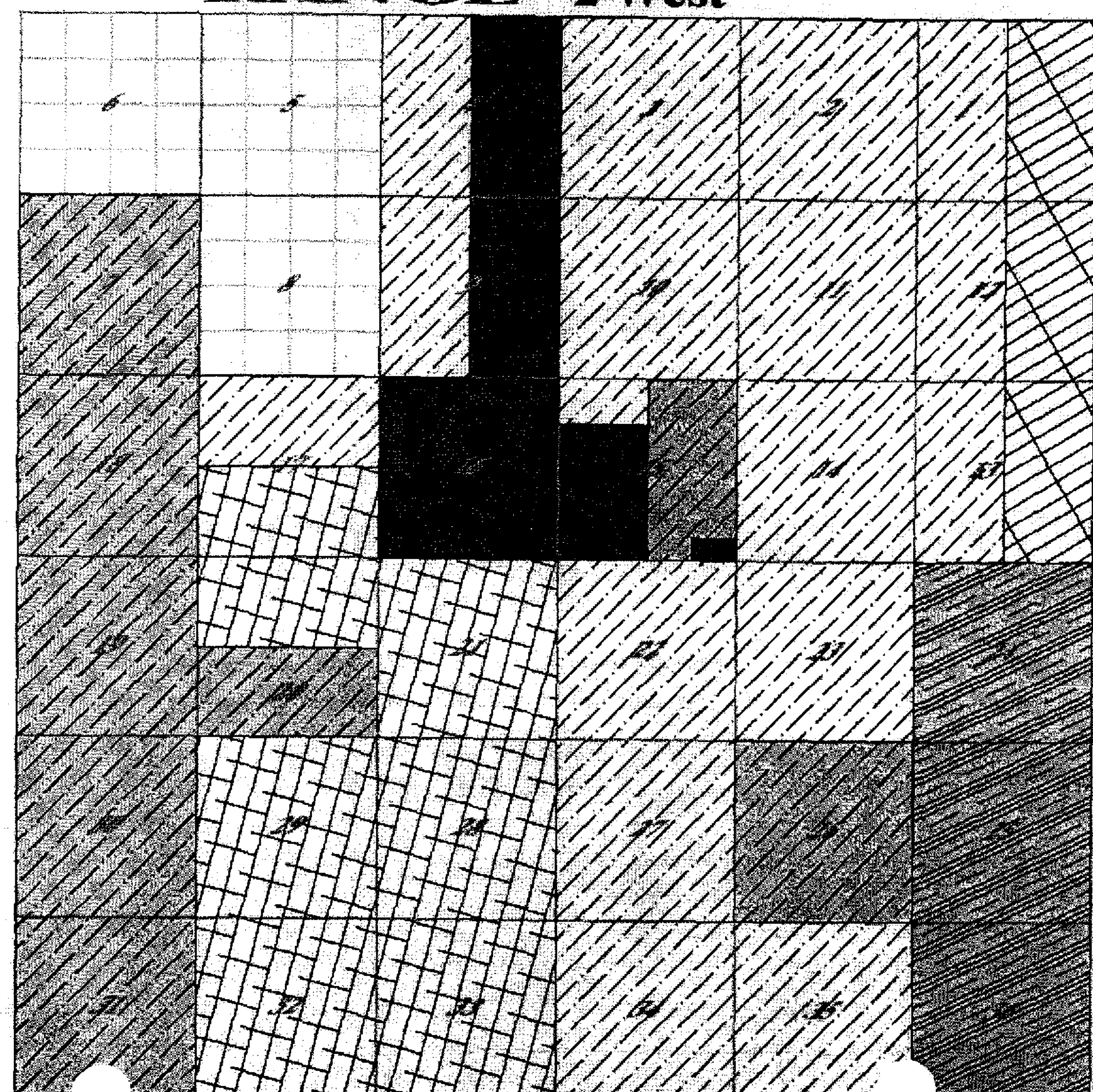
(4)
City of Surprise (Nonjurisdictional)

Litchfield Park Service Company
Docket No. SW-01428A-05-0022
Application for Extension for Sewer

TR3N2W 24 APR 2001

COUNTY: *Maricopa*

RANGE 2 West



TOWNSHIP 2 North

W-1997 (2)
Adaman Mutual Water Company

WS-1303 (14) Sewer
Arizona-American Water Company (Agua Fria)

W-1445 (3)
Arizona Water Company (White Tanks)

W-1427 (4)
Litchfield Park Service Company

Sewer SW-1428 (4)
Litchfield Park Service Company

Litchfield Park Service Company
Docket No. SW-01428A-05-0022
Application for Extension for Sewer

TR2N2W 17 APR 2002

LEGAL DESCRIPTION

- All of Section 16; and
- The East one-half of Section 4; and
- The East one-half of Section 9; and
- All of Section 15, except the North one-half of the Northwest one-quarter and except Parcel A attached hereto,

  all in Township 2 North, Range 2 West, G&SRB&M, Maricopa County, Arizona.

AND

- The East one-half of Section 28; and
- The East one-half of Section 33,

  all in Township 3 North, Range 2 West, G&SRB&M, Maricopa County, Arizona

REVISED EXHIBIT B

A portion of the East half of Section 15, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, in Maricopa County, Arizona described as follows:

Beginning at the Northeast Corner of said Section 15, being the ***True Point of Beginning***, thence South 00°05'58" West a distance of 2641.35 feet to the East Quarter Corner of said Section 15. Continuing South 00°06'14" West a distance of 1981.15 feet; thence South 89°58'17" West a distance of 1316.21'; thence South 00°08'04" West a distance of 660.11 feet; thence South 89°59'00" West a distance of 1316.55' to the South Quarter Corner of said Section 15. Thence leaving the South Quarter Corner of said Section 15 North 00°09'53" East a distance of 2639.38 feet to the Center Quarter Corner of said Section 15. Continuing North 00°09'57" East a distance of 2639.42 feet to the North Quarter Corner of said Section 15. Leaving the North Quarter Corner of said Section 15 heading North 89°53'38" East a distance of 2627.29 feet returning to the Northeast Corner of said Section 15 and the **True Point of Beginning.**

Above described parcel contains 298.91 acres more or less.

PARCEL A

EXHIBIT 2

MEMORANDUM

DATE: December 20, 2005

TO: Linda Jaress
Executive Consultant III

FROM: Marlin Scott, Jr.
Utilities Engineer

RE: Litchfield Park Service Company – Wastewater Division
Docket No. SW-01428A-05-0022 (CC&N Extension)

Introduction

Litchfield Park Service Company – Wastewater Division ("LPSCo") has applied to extend its Certificate of Convenience and Necessity ("CC&N") for its wastewater system. The requested areas will add approximately 3.4 square-miles to LPSCo's existing 20.0 square-miles of certificated area. LPSCo serves the City of Litchfield Park, City of Goodyear and the surrounding area in the West Valley, Maricopa County.

Capacity

Existing Utility Plant

According to LPSCo's 2004 Annual Report, LPSCo has a 4.1 million gallon per day ("MGD") activated sludge wastewater treatment plant ("WWTP"), three lift stations and 255.8 miles of force/collection mains serving 11,817 service laterals. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 19,000 laterals at the end of five years. LPSCo has predicted an additional 4,700 laterals for the proposed CC&N extensions at the end of five years, resulting in a projected total customer base of approximately 23,700 laterals at the end of five years. Based on the existing WWTP capacity, the system can serve approximately 12,550 service laterals.

Proposed Plant Facilities

LPSCo is proposing to extend its wastewater system into the requested areas by extension of its collection system using advances in aid of construction. The proposed plant facilities and their associated costs are:

1. Off-Site Plant Facilities:

a. The Interconnection Line	$4,903,300
b. Sarival Lift Station	$ 589,680
	$5,492,980

LPSCo is proposing to fund these Off-Site Plant Facilities by using a "Developer Cost Allocation" as submitted in a Master Utility Agreement.

2. *On-Site Plant Facilities* – LPSCo will be using line extension agreements to fund these On-Site Plant Facilities once negotiations are completed.

Conceptual Plan

United Engineering Group prepared a study, dated July 14, 2004, entitled "White Tank Mountain Regional Sewer Solution – Conceptual Plan" for LPSCo. This study addressed the technical and engineering aspects of the proposed developments for regional planning purposes.

LPSCo's proposed wastewater system falls within three designated 208 regional planning areas. LPSCo will be seeking approval to amend the three 208 plans, permitting LPSCo to serve the proposed extension areas. LPSCo is also currently preparing an Aquifer Protection Permit ("APP") amendment for the expansion of its WWTP from 4.1 to 8.2 MGD.

Conclusion

Staff concludes that the existing 4.1 MGD WWTP capacity, along with the planned capacity expansion to 8.2 MGD, is sufficient to serve the existing and proposed CC&N extension areas.

Staff concludes that the proposed plant facilities and their cost estimates totaling $5,492,980 are reasonable. However, no "used and useful" determinations of the proposed plant items were made and no particular treatment should be inferred for rate making or rate base purposes.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

ADEQ and Maricopa County Environmental Services Department ("MCESD") regulate the wastewater system under Inventory #100310 and have indicated the facility is in compliance with ADEQ regulations.

Certificate of Approval to Construct

The MCESD Certificate of Approval to Construct ("ATC") for facilities needed to serve the requested areas have not been submitted by LPSCo. Staff recommends that LPSCo be required to file with Docket Control, as a compliance item in this docket, a copy of the ATC for facilities needed to service each of the parcels within the requested areas within one year of the effective date of an order in this proceeding.

Aquifer Protection Permit and Section 208 Plan Amendment

LPSCo was issued a signed APP, dated October 11, 2001, for its 4.1 MGD WWTP and is in the process of preparing an amendment for expansion of its WWTP from 4.1 to 8.2 MGD. Since an APP and the Section 208 Plan amendments represent fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that LPSCo file with Docket Control, as compliance items in this docket, copies of the APP and Section 208 Plan amendments within one year after a decision is issued in this proceeding

Arizona Corporation Commission Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues for LPSCo.

Summary

Conclusions

A. Staff concludes that the existing 4.1 MGD WWTP capacity, along with the planned capacity expansion to 8.2 MGD, is sufficient to serve the existing and proposed CC&N extension areas.

B. Staff concludes that the proposed plant facilities and their cost estimates totaling $5,492,980 are reasonable. However, no "used and useful" determinations of the proposed plant items were made and no particular treatment should be inferred for rate making or rate base purposes.

C. ADEQ and MCESD regulate the wastewater system under Inventory #100310 and have indicated the facility is in compliance with ADEQ regulations.

D. A check with the Utilities Division Compliance Section showed no outstanding compliance issues for LPSCo.

Recommendations

1. Staff recommends that LPSCo be required to file with Docket Control, as a compliance item in this docket, a copy of the ATC for facilities needed to service each of the parcels within the requested areas within one year of the effective date of an order in this proceeding.

2. Staff recommends that LPSCo file with Docket Control, as compliance items in this docket, copies of the required APP and Section 208 Plan amendments within one year after a decision is issued in this proceeding.

EXHIBIT 3

MEMORANDUM

DATE: February 9, 2006

TO: Linda Jaress
Executive Consultant III

FROM: James J. Dorf
Chief Accountant

RE: Litchfield Park Service Company – Wastewater Division
Docket No. SW-01428A-05-0022 (CC&N Extension)

Introduction

Litchfield Park Service Company – Wastewater Division ("LPSCo" or "Company") has applied to extend its Certificate of Convenience and Necessity ("CC&N") for its wastewater system. The requested areas will add approximately 3.4 square-miles to LPSCo's existing 20.0 square-miles of certificated area. LPSCo serves the City of Litchfield Park, City of Goodyear and the surrounding area in the West Valley, Maricopa County. LPSCo is proposing to use its existing rate and charges for the new CC&N.

Financial Overview

The Company's current rates were set in December 2002 in Decision No. 65436. The settlement agreement in that Decision adopted a cost of equity of 9.5 percent and an overall rate of return on 8.5 percent. At the time of that case, LPSCo served 5,541 water and 5,012 wastewater customers. By December 31, 2004, the number of customers had nearly doubled to 11,902 and 11,817, respectively.

In its application, the Company provided financial information for the year ended December 31, 2003. In addition to that information, Staff utilized the Company's Annual Report for 2004 as filed with the Arizona Corporation Commission ("Commission").

The Company's consolidated (water and wastewater) net income was $1.8 million for 2003 and $2.1 million for 2004. The average return on equity for those same periods was 10.67 percent and 11.51 percent, respectively. See Schedule JJD-3. Staff also calculated a reasonable estimate of the consolidated return on rate base for the year 2004 of 11.47 percent.

The Company's capital structure is summarized on Schedule JJD-2 and indicates that, as of December 31, 2004, Common Equity was 33.9 percent of total capital, including refundable Advances in Aid of Construction ("AIAC"). If non-refundable Contributions in Aid of Construction ("CIAC') are added to the capital structure, the common equity percentage falls to 28.0 percent. Contributing to the imbalanced state of LPSCo's capital structure is its high dividend payout ratio which does not allow for the accumulation of equity.

The water and wastewater divisions are both capitalized with fairly high levels of AIAC and CIAC. Over-reliance on AIAC can produce risky a capital structure and result in a utility with little or no investment upon which to earn a return and sustain its growth and viability.

Based upon the estimated 2004 return on equity and the approximate return on rate base achieved, it is possible that the Company is exceeding its allowed rate of return. Given that the 2005 annual report is not yet available to determine the Company's more recent financial results, Staff concludes that LPSCo should be ordered to file a rate case by December 31, 2006 using a test year ending June 30, 2006. LPSCo recent acquisition by Algonquin Water Resources of America Inc. ("Algonquin") on February 5, 2003, also supports the appropriateness of filing a rate case.

Staff is concerned about the long term capital structure of the Company and will recommend the Company be prohibited from distributing more than 25 percent of each year's earnings if and when equity falls below 30 percent of total capital.

Proposed Developer Contributions

As indicated in the Master Utility Agreement ("MUA") three developers will subscribe for certain non-voting Class B Common Stock, $1 par value ("Development Shares"), of Algonquin Water Resources of America Inc. Algonquin will then invest all proceeds in LPSCo as Additional Paid-In-Capital. See a diagram of the transaction at Schedule JJD-1. The funds (an estimated $5,492,980) will be used for the construction of a treatment plant, transmission mains and a lift station. See related Staff Engineering Report for further details.

Other provisions of the MUA related to the Class B Stock issued by Algonquin are as follows:

- Annual Dividends – Algonquin will pay, once each year on March 31 "an amount equal to the pro-rata of the Development Shares subscriptions received by the Parent (Algonquin) from other developers associated with the cost of the excess capacity in the Interconnect Line, as that pro rata share is set forth on

Attachment E"[1]. Thus, amounts received from other developers will be refunded to the current developers (up to the non-refundable amount).

- Development Shares Repurchase – Once the dividends have repaid the subscription, Algonquin may repurchase the Development Shares at 1/10 of one cent ($0.001) per share.
- Restrictions – The shares cannot be sold, transferred, etc., without the written approval of Algonquin.

Staff Analysis

Although the complex form of the Development Shares (Class B Stock) purchase may look like a stock transaction (see Schedule JJD-1), the substance of the proposed transaction is, in essence, that of an advance in aid of construction. The funds advanced by the developers ultimately are used by LPSCo as a cost free form of capital to fund construction.

Staff generally agrees with the concept of developers funding a certain portion of speculative development with AIAC or similar transactions. However, the substance of the transaction must be recognized for rate making purposes for the protection of the parties. In this instance, the receipt of the additional paid in capital by LPSCo should be recognized as AIAC for ratemaking purposes and not as a component of LPSCo's capital structure.

Staff Recommendations

Staff recommends that LPSCo must agree to treat all net Additional Paid-in-Capital paid by Algonquin to LPSCo related to the MUA as if it were AIAC.

Staff further recommends that by December 31, 2006, LPSCo file a rate case using a test year ending June 30, 2006.

Staff further recommends that the Company charge its existing rates and charges as summarized in Attachment A.

Staff further recommends that the Company be prohibited from distributing more than 25 percent of each year's consolidated earnings if and when its consolidated equity falls below 30 percent of total capital.

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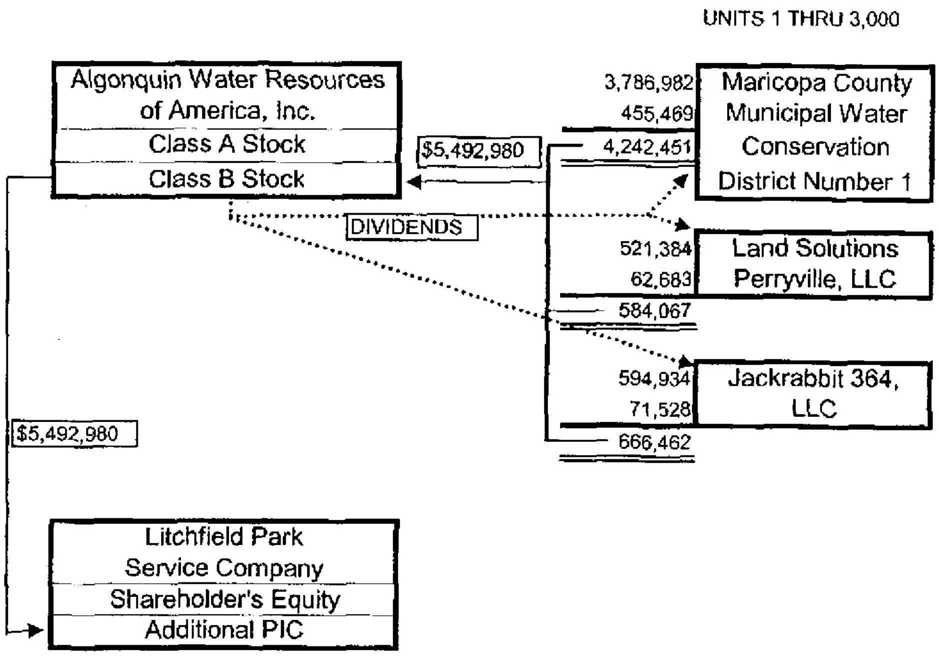
[1] MUA at page 6.

Litchfield Park Service Company
Docket No. SW-01428A-05-0022

Schedule JJD-1

TRANSACTION SUMMARY



Litchfield Park Service Company
Docket No. SW-01428A-05-0022

Schedule JJD-2

FINANCIAL ANALYSIS - LPSCO CONSOLIDATED

Selected Financial Data

	[A] 12/31/2003		[B] 12/31/2004		[C] PRO FORMA		[D] PRO FORMA	
Current Portion of Long-term Debt	$140,000	0.3%	$195,000	0.3%	$195,000	0.3%	$195,000	0.3%
Intercompany Notes Payable	$4,055,000	8.6%	$4,589,469	8.1%	$4,589,469	6.6%	$4,589,469	6.1%
Third Party Loans	$12,672,019		$12,491,059	21.8%	$12,491,059	18.0%	$12,491,059	16.7%
Advances in Aid of Construction	$12,987,312	27.5%	$20,507,510	35.9%	$20,507,510	29.6%	$20,507,510	27.4%
Contributions in Aid of Construction					$12,116,978	17.5%	$12,116,978	16.2%
Additional Paid in Capital							$5,492,980	7.3%
Common Equity	$17,321,643	36.7%	$19,412,068	33.9%	$19,412,068	28.0%	$19,412,068	26.0%
Total Capital	$ 47,175,974	100.0%	$57,195,106	100.0%	$69,312,084	100.0%	$74,805,064	100.0%

[A] Company Annual Report
[B] Company Annual Report
[C] Includes Contributions in Aid of Construction
[D] Includes Additional Paid in Capital

Litchfield Park Service Company
Docket No. SW-01428A-05-0022

Schedule JJD-3

	2004	2003
WATER		
Revenues	5,087,196	4,131,794
Operating Expenses	(3,804,219)	(2,835,281)
Operating Income	1,282,977	1,296,513
SEWER		
Operating Revenue	4,833,236	4,050,298
Operating Expenses	(3,123,486)	(2,654,516)
Operating Income	1,709,750	1,395,782
Consolidated Operating Income	2,992,727	2,692,295
Non-oper. Income (Expense)		
Interest Income (expense)	150,090	38,144
Interest Expense	(1,042,392)	(894,664)
Total Non-Oper Inc.	(892,302)	(856,520)
Net Income	2,100,425	1,835,775
Return on Average Equity		
Beginning Equity	17,088,590	17,324,401
Ending Equity	19,412,068	17,088,589
Average	18,250,329	17,206,495
Consolidated ROE	**11.51%**	**10.67%**

Estimated Rate Base

	Total
Net Plant	60,760,688
Customer Deposits	(2,045,395)
AIAC	(20,507,510)
CIAC*	(12,116,978)
Approximate RATE BASE	**26,090,805**
Operating Income/Rate Base	**11.47%**
Cash & Short-term Investments	**1,841,557**

* Net of Amortization

ATTACHMENT A

NOTES ON CURRENT AND COMPANY PROPOSED RATES:
Cost – All meters over 2-inch shall be installed at cost.
* Per Commission Rules (R14-2-403.B)
** Months off system times minimum (R14-2-403.D)
*** Per Commission Rules (R14-2-403.D)

RATE DESIGN
WASTEWATER DIVISION

	Current Rates	Company Proposed	Settlement Rates
MONTHLY USAGE CHARGE:			
Monthly Residential Service	$23.20	$32.55	$27.20
Multi-Unit Housing – Monthly Per Unit	21.70	25.00	25.25
Commercial:			
Small Commercial – Monthly Service	$38.30	$60.00	$46.00
Measured Service:			
Regular Domestic:			
Monthly Service Charge	$17.50	$25.75	$25.75
Rate Per 1,000 Gallons of Water	1.80	2.75	2.25
Restaurant, Motels, Grocery Stores & Dry Cleaning Establishments: (1)			
Monthly Service Charge	$17.50	$25.75	$25.75
Rate Per 1,000 Gallons of Water	2.00	3.25	3.00
Wigwam Resort:			
Monthly Rate – Per Room	$21.70	$25.00	$25.25
Main Hotel Facilities – Per Month	625.00	1,000.00	1,000.00
Schools – Monthly Service Rates:			
Elementary Schools	$550.00	$725.00	$680.00
Middle Schools	550.00	1,000.00	800.00
High Schools	550.00	1,000.00	800.00
Community College	550.00	1,600.00	1,240.00
Effluent (2)	$52.50	$52.50	Market Rate

NOTES:
(1) Motels without restaurants charged multi-unit MONTHLY rate of $25.25 per room.
(2) Maximum effluent rate shall not exceed $430 per acre-foot based on a potable water rate of $1.32 per thousand gallons.